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My name is Dianne Anderson and I am President/CEO of Lawrence General Hospital. Thank you to the Attorney General and the Department of Public Health for this opportunity to testify tonight.

First of all, I want to make it clear that we understand that Caritas needs to find a solution to their financial situation. I support this and believe we need 2 strong mission-based community hospitals in the region. I admire and respect the Caritas leadership, my former colleague Dr. De la Torre, Mr. Schindel and our colleagues at CHF. I applaud Ralph's perseverance and creativity to find a solution to the survival of his hospitals. In addition, I realize this sale can bring many positive economic gains for the local community.

However, I am concerned about the strong potential for "unintended consequences", should this sale be approved without certain conditions. The Merrimack Valley is very fortunate to have two fine healthcare organizations. I believe competition is good for ongoing focus on quality, access to care and affordability.

----- This hearing is about much more than simply the future of Caritas and Holy Family Hospital. This is a very complicated and unprecedented sale of non-profit hospitals to a for-profit private equity firm. A private equity owned hospital in this market could significantly impact LGH and future access and affordability of health care in the Merrimack Valley.

Lawrence General Hospital is the largest employer in the City of Lawrence, a community whose unemployment rate is the highest in Massachusetts and one of the highest in the country, at nearly 20%. We employ more than 1,400 people from the area. Our annual revenue exceeds \$150 million dollars, every dollar of which stays in this community, in the paychecks of our employees, in equipment and medical supplies people in our community need, in improving the health status of our community, and in capital improvements made to our Hospital such as our new Imaging Center, and our new Emergency Center.

We are a high access, low cost health care provider that is thriving and poised to play an even bigger role in the future. We are viewed by policy makers as part of the health care cost-saving solution because we know how to deliver health care efficiently regardless of whether they rely on Medicaid, are uninsured or covered by a major health plan. As the dominant healthcare organization for Lawrence and surrounding towns, LGH must be here for the long term.

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We are also the State's largest providers of care to low income and racially and ethnically diverse patients. We have the region's only Trauma Program validated by the American College of Surgeons, and the only dedicated inpatient pediatric unit. We have the 3rd busiest emergency department in Massachusetts. And we have achieved something that no one has done in Massachusetts, we have expanded primary care access through our unique 24-resident family practice residency program in partnership with the Greater Lawrence Family Center. We have trained more than 100 physicians, many of whom stayed in our region and practice in our community.

The team of caregivers at Lawrence General Hospital provides essential services and we serve more patients than every other provider in our region from Lawrence to Newburyport. We provide care to 12,000 inpatients annually, 70,000 emergency visits, 1800 births, and more than 200,000 outpatient visits. Our region counts on Lawrence General Hospital.

LGH is challenged by the same economic times as CHF. We are a disproportionate share hospital – seventy percent of our patients rely on Medicare and Medicaid, while only thirty percent rely on private insurers.

Despite the fact that we have very old buildings and declining state-funded reimbursements due to the state of our economy, we have an outstanding staff of physicians, extraordinary breadth and depth of services, and the building blocks for an Accountable Care Organization.

Health Care access and our local economy require Lawrence General Hospital to remain a thriving institution.

We share many of the same challenges that face Caritas. We heard Ralph explain the benefits of this sale and conversion to a for-profit entity, and I know we will hear the dedicated staff at Holy Family speak tonight about the positive impact they anticipate this acquisition will have.

I am not here to oppose this acquisition. I believe that – done properly and with important protections in place – this transfer of community assets into for profit hands could benefit both the hospitals being purchased and the communities that rely on them for vital health care services.

I do expect that this sale will ultimately be approved. But as this is unprecedented, I strongly believe that the government has a significant

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responsibility to see that the investments that are made by this huge out-of-state private equity firm do not diminish health care access – or affordability of health care – for people in our region.

Cerberus is a large national private equity firm that is located in New York and has no prior experience with owning hospitals. They are in the business of buying underperforming assets, and changing them so they are profitable for ~~quick~~ sale in a relatively short period of time – usually between 3 to 5 years. Like all private equity firms, they exist to deliver a significant return to their investors. How will the investors realize a return on this investment?

We do not know their long term goals.

I am a trusting person. My colleagues and I have great respect and admiration for the team at Holy Family, and the entire Caritas organization, but will they be in control? The stakes for this community – in terms of access to health care – are simply too great to just trust that the folks at Cerberus will do the right thing by this community.

The harsh reality is that Cerberus' investment strategies have not been defined by prioritizing health care mission and dedication to communities above financial performance and return to investors--- after all, Cerberus has never been in this platform before. It is a gamble for us to be asked to believe they will willingly be held to these standards. Perhaps we will be fortunate that these qualities will be upheld. But, we cannot risk the stability of our hospital on a hope as opposed to certainty. We need the oversight of our governmental leaders to assure that the foundation that we are building for Cerberus' entry into our markets is rock solid. We must ensure that disproportionate share hospitals – like LGH – are able to continue to carry out their mission which is affordable, high quality, high access care.

Of particular concern to us, is the lack of specificity on how Cerberus plans to spend the \$400 million in capital they committed to invest as part of the purchase price for these community assets.

Thus far, according to Cerberus' filings with the Attorney General, \$110 million of the \$400 million will be used for capital projects. It is unknown and undisclosed how the remaining \$290 million will be spent. In the brief, three year span, in which Cerberus has committed to operate the six Caritas hospitals, they could – if

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they wanted to -- use this \$290 million to engage in practices that close hospitals and diminish health care access.

For example here in the Merrimack Valley, could use this capital to engage in predatory pricing and predatory marketing? Could they exclude Lawrence General Hospital and other providers from contracts with health plans, despite the AGs report showing we are the low cost, high value option? Will they hire and align physicians currently affiliated with other providers to be exclusively aligned with Caritas hospitals?

As Nancy Kane, a health care economist with the Harvard School of Public Health cautions "organizations with deep pockets can use their capital to acquire providers, consolidate markets, and develop the market power to dictate rates, which jeopardizes access and affordability in health care". She adds, "there is a need to maintain healthy competition and a level playing field. Non-profit hospitals have a perpetual mission that must be maintained."

Left unchecked and unconditioned, it is easy to see how Cerberus' hundreds of millions in equity investment funding could leave providers like Lawrence General with two choices: to join Cerberus, or to fail trying to compete against capital resources so vastly greater than theirs.

The reason we are here this evening is that the Attorney General and the Department of Public Health have a responsibility to review, consider, and -- if appropriate -- place necessary conditions on the approval of this transaction. Dr. De la Torre has indicated a recognition of the need to work through these issues. We encourage the Attorney General's process to assure long-term sustainability of both fine institutions -- Lawrence General and Holy Family Hospitals -- and preserve our community's health care access.